

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

INFO AMEMBASSY TEL AVIV PRIORITY

C O N F I D E N T I A L STATE 145140

PLEASE PASS TO ASSISTANT STR STEPHEN LANDE

FOLLOWING REPEAT HONG KONG 7175 SENT ACTION SECSTATE,
INFO SEOUL, TAIPEI, GENEVA 07 JUN 78

QUOTE C O N F I D E N T I A L HONG KONG 7175

E.O. 11652: GDS

TAGS: ETRD, HK

SUBJECT: FOOTWEAR: HONG KONG CONSULTATIONS

REF: A) STATE 139159, B) HONG KONG 6880, C) HONG KONG 6869,
D) STATE 135551.

1. HONG KONG ASSISTANT DIRECTOR OF TRADE DOUGLAS CHAN TOLD
CONGENOFF JUNE 5 THAT HKG ANTICIPATED MAKING FORMAL REPLY TO
OUR CONSULTATION REQUEST WITHIN THE NEXT FEW DAYS. CHAN
INDICATED, HOWEVER, THAT HKG WOULD NOT BE READY TO CONSULT
ON JUNE 15 AND 16, AS PROPOSED BY STR NEGOTIATOR LANDE. AND
IF HONG KONG CHIEF NEGOTIATOR MILLS IS TO LEAD HONG KONG
DELEGATION IN FOOTWEAR CONSULTATIONS, HONG KONG DELEGATION
COULD NOT BEGIN DISCUSSIONS UNTIL JULY 13 OR 14, AFTER
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MILLS' RETURN FROM EUROPE.

2. CHAN OBSERVED THAT THE HKG REALLY KNEW LITTLE ABOUT THE
TERRITORY'S FOOTWEAR INDUSTRY, AND WOULD HAVE TO CLECT A GOOD
DEAL OF DATA BEFORE ENTERING CONSULTATIONS. CHAN SAID THAT
THE HKG HAD BEGUN TO CANVASS FOOTWEAR MANUFACTURERS AND

WOULD CONVENE ITS "TRADE AND INDUSTRY ADVISORY BOARD" ON JUNE 12. (THIS BOARD ADVISES THE GOVERNMENT GENERALLY ON TRADE POLICY AND INDUSTRIAL DEVELOPMENT BUT HAS NEVER HELPED PREPARE HKG OFFICIALS' NEGOTIATING BRIEFS, AS THE HKG'S "TEXTILE ADVISORY BOARD" REGULARLY DOES FOR HONG KONG'S INTERNATIONAL TEXTILES TRADE.)

3. CHAN VOLUNTEERED THAT, WHILE HE DID NOT KNOW DETAILS OF MAY 31 CROWSON-LANDE DISCUSSION, HE FELT SURE THE HKG WOULD BE UNWILLING TO ENTER INTO A RESTRAINT AGREEMENT ANALOGOUS TO THE USG'S TAIWAN AND KOREA FOOTWEAR OMAS. A LICENSING/CERTIFICATE OF ORIGIN ARRANGEMENT, DESIGNED TO IDENTIFY FOOTWEAR ASSEMBLED IN HONG KONG OF TAIWANESE OR KOREAN COMPONENTS, CHAN THOUGHT MIGHT BE NEGOTIABLE. ON HONG KONG'S CURRENT FOOTWEAR MONITORING SYSTEM, CHAN SAID THAT RANDOM CONSIGNMENT CHECKS HAVE REVEALED SOME FOOTWEAR COMPONENT SHIPMENTS OF TAIWAN OR KOREA ORIGIN SUSPECTED OF BEING IMPORTED INTO HONG KONG FOR ASSEMBLY AND EXPORTED TO THE US. BUT CHAN STRESSED THAT HKG DATA ON THIS CIRCUMVENTION OF OMAS DID NOT PERMIT CONCLUSIONS ON ITS VOLUME.

4. COMMENT. CONGEN CONSIDERS THE HKG'S DIFFICULTIES IN GETTING DATA ON THE HONG KONG SHOE INDUSTRY TO BE PLAUSIBLE. THE INDUSTRY EMPLOYES ONLY 8,800 PEOPLE (3,800 - RUBBER FOOTWEAR, 5,000 - ALL OTHER TYPES) OR 1 PERCENT OF HONG KONG'S INDUSTRIAL WORKFORCE, IS STILL STRUCTURED PRINCIPALLY AROUND STREETSIDE COBBLERS AND SMALL WORKSHOPS, AND HAS

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NEVER BEEN A SIGNIFICANT EXPORT EARNER. (SEE HONG KONG 77 FOR CONGEN'S DESCRIPTION OF HONG KONG'S SHOE INDUSTRY AND PROBLEMS IN ACQUIRING DATA ON IT.)

5. HONG KONG CENSUS AND STATISTICS DEPARTMENT, WHICH HAS MONITORED FOOTWEAR TRADE FOR TRADE, INDUSTRY AND CUSTOMS DEPARTMENT, HAS GIVEN CONGEN COPIES OF FIRST QUARTS 1978 (LATEST AVAILABLE) DATA WHICH WILL BE BROUGHT TO WASHINGTON BY STR TEXTILE NEGOTIATOR MIKE SMITH. END COMMENT. SHOESMITH

UNQUOTE VANCE

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